



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Peter R. Orszag, Director

April 29, 2008

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Based on a preliminary review of the Aviation Investment and Modernization Act of 2008 (draft legislation: H2881SUB.4, April 28, 2008, 10:02 p.m.), CBO and the Joint Committee on Taxation (JCT) estimate that enacting this legislation would increase both revenues and direct spending, respectively, by \$9.9 billion and \$1.8 billion over the 2008-2018 period. The estimated revenue increases exceed the added outlays from direct spending, reducing future budget deficits (or increasing surpluses) by \$8.1 billion over the 2008-2018 period (see enclosed table). Net budget savings over the 2008-2017 period would be \$7.4 billion. CBO has not completed an estimate of the legislation's impact on spending subject to appropriation.

Pursuant to section 203 of S. Con Res. 21, the Concurrent Resolution on the Budget for Fiscal Year 2008, CBO and JCT estimate that changes in direct spending and revenues from enacting the legislation would not cause an increase in the on-budget deficit greater than \$5 billion in any of the 10-year periods between 2018 and 2057.

The legislation contains intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs to state, local, and tribal governments of complying with these mandates would be small and would not exceed the threshold established in UMRA (\$68 million in 2008, adjusted annually for inflation).

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The nontax provisions of this legislation contain several private-sector mandates as defined in UMRA. Those mandates include, but are not limited to: a prohibition on operating certain aircraft not in compliance with low-noise standards, safety requirements for helicopters used in emergency medical service, and requirements on air carriers related to airline service. Based on information from the Federal Aviation Administration and industry sources, CBO estimates that the aggregate direct cost of complying with those mandates would likely exceed the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation) in at least one of the first five years the mandates are in effect.

If you wish further details on this estimate, we would be pleased to provide them. The CBO staff contact is Megan Carroll.

Sincerely,

for Robert A. Orszag

Peter R. Orszag
Director

Enclosure

cc: Honorable Daniel K. Inouye
Chairman
Committee on Commerce, Science,
and Transportation

Honorable Ted Stevens
Vice Chairman

Honorable Max Baucus
Chairman
Committee on Finance

Honorable Charles E. Grassley
Ranking Member

PRELIMINARY ESTIMATE OF REVENUE AND DIRECT SPENDING EFFECTS OF THE AVIATION INVESTMENT AND MODERNIZATION ACT OF 2008 (DRAFT LEGISLATION : H2881SUB.4, APRIL 28, 2008, 10:02 P.M.)

	By Fiscal Year, In Millions of Dollars												2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018	
CHANGES IN REVENUES														
Airport and Airways Taxes	*	147	214	228	242	254	266	275	292	308	325	1,086	2,551	
Highway Taxes	15	1,066	487	454	444	451	462	475	487	498	509	2,918	5,350	
Other Infrastructure Modifications	17	183	163	186	185	176	171	179	192	206	217	911	1,872	
Overflight Fees	0	18	18	19	19	20	20	21	21	21	22	94	199	
Passenger Facility Fee Authority	*	<u>-1</u>	<u>-2</u>	<u>-4</u>	<u>-6</u>	<u>-8</u>	<u>-10</u>	<u>-12</u>	<u>-14</u>	<u>-17</u>	<u>-19</u>	<u>-20</u>	<u>-91</u>	
Total Change in Revenues	32	1,413	880	883	884	893	909	938	978	1,016	1,054	4,989	9,881	
CHANGES IN DIRECT SPENDING														
Contract Authority for Grants-in-Aid for Airports ^a														
Estimated Budget Authority	395	475	595	695	695	695	695	695	695	695	695	3,550	7,025	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0	
Funding for New York’s Transportation Infrastructure														
Estimated Budget Authority	0	169	0	338	169	169	169	169	169	169	169	845	1,690	
Estimated Outlays	0	169	0	338	169	169	169	169	169	169	169	845	1,690	
Contract Authority for Federal Highway Programs ^a														
Estimated Budget Authority	0	615	678	97	52	33	28	28	29	31	31	1,475	1,622	
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0	0	0	
Aviation War-Risk Insurance														
Estimated Budget Authority	0	0	0	0	0	0	-130	-140	-90	-30	140	0	-250	
Estimated Outlays	0	0	0	0	0	0	-130	-140	-90	-30	140	0	-250	
Spending from Overflight Fees														
Estimated Budget Authority	0	18	18	19	19	20	20	21	21	21	22	94	199	
Estimated Outlays	0	14	18	19	19	20	20	21	21	21	22	90	195	
Third-Party Financing of Investments in Air Traffic Control Modernization														
Estimated Budget Authority	60	0	0	0	0	0	0	0	0	0	0	60	60	
Estimated Outlays	2	8	20	20	10	0	0	0	0	0	0	60	60	
Pension Benefit Guaranty Corporation														
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	
Estimated Outlays	0	0	1	1	3	5	5	6	6	6	7	10	40	

Continued

PRELIMINARY ESTIMATE OF REVENUE AND DIRECT SPENDING EFFECTS OF THE AVIATION INVESTMENT AND MODERNIZATION ACT OF 2008 (DRAFT LEGISLATION : H2881SUB.4, APRIL 28, 2008, 10:02 P.M.)

	By Fiscal Year, In Millions of Dollars											2008-	2008-
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN DIRECT SPENDING (Continued)													
Pilot Program to Redevelop Airport Properties													
Estimated Budget Authority	0	20	0	0	0	0	0	0	0	0	0	20	20
Estimated Outlays	0	5	9	6	0	0	0	0	0	0	0	20	20
Total Changes													
Estimated Budget Authority	455	1,297	1,291	1,149	935	917	782	773	824	886	1,057	6,044	10,366
Estimated Outlays	2	196	48	384	201	194	64	56	106	166	338	1,025	1,755
NET IMPACT ON THE DEFICIT OR SURPLUS													
Changes in the Deficit or Surplus ^b	30	1,217	832	499	683	699	845	882	872	850	716	3,964	8,126

Sources: Congressional Budget Office and the Joint Committee on Taxation.

Notes: Numbers may not sum to totals because of rounding.

* = between -\$500,000 and \$500,000.

- a. Changes to contract authority for federal highway programs and grants-in-aid for airports are changes in mandatory spending. Outlays for those programs, which are controlled by obligation limitations specified in annual appropriation acts, are considered changes in discretionary spending.
 - b. Positive numbers indicate decreases in deficits (or increases in surplus); negative numbers indicate the opposite.
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